



# Hamilton County

## BOARD OF COMMISSIONERS

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To: Board of County Commissioners  
  
From: Patrick Thompson, County Administrator  
  
CC: Christian Sigman, Assistant County Administrator  
Jeff Aluotto, Assistant County Administrator  
Moira Weir, Assistant County Administrator  
  
Subject: 2011 General Fund Revised Budget Forecast  
  
Date: August 19, 2010

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This memo provides information on the 2011 general fund revised budget forecast, and an update on the 2011 budget process and schedule. In summary, the revised forecast decreases \$844,000 from the preliminary forecast budget presented in June 2010.

### 2011 Revised Budget Forecast

In June the administrative forecast for the 2011 budget was estimated between \$207 and \$210 million based on a projection of major general fund revenue sources. While the preliminary forecast was \$207.8 million, revenue performance stronger than budget in the first five months of 2010 suggested that the forecast might improve through the summer. While some revenue categories have improved, additional stresses in other revenue categories have offset the improvements for a net decrease of \$844,000 and a revised 2011 budget forecast of \$207.0 million.

Following is a description of the specific adjustments made to the preliminary forecast budget to arrive at the revised forecast figure:

#### *Revenue*

- **Sales Tax.** Due to continued improvement in sales tax performance, the 2011 revenue estimate was increased \$1.3 million in the revised forecast.

- **Financial Institution Tax.** Continued strong improvement in this state revenue source allowed for a \$300,000 increase from the preliminary forecast.
- **Interest Earnings.** Interest earnings were revised downward by \$1.0 million due to the continued loss in revenue reported at the August quarterly investment committee meeting. This revenue forecast is \$1.3 million below that of the Treasurer's office. For comparison, the Treasurer's current estimate for 2010 interest earnings is \$1.5 million below the 2010 budgeted amount.
- **Real Estate and Public Utility Tax.** This revenue was revised downward \$932,000 from the preliminary forecast. The revision includes a 1% decrease from the Auditor's office estimate based on actual revenue performance year to date and an additional reduction for Duke Energy's appeal of personal property valuation.
- **Local Government Fund.** Due to continued pressure on the state 2011-2013 budget, local government fund revenue has been revised downward \$600,000. The revised forecast is 12.4% below the state certified amount for calendar year 2011.

#### *Expenditures*

To maintain a balanced budget, expenditures needed to decrease in the same amount as revenue (\$844,000), while absorbing additional items identified during the summer. Additional expenditures included the following:

- **237 William Howard Taft (WHT).** The preliminary forecast assumed the sale of the 237 WHT during 2010. As that is no longer a viable scenario, the general fund must absorb debt service and utilities for the building totaling \$1.3 million in 2011.
- **Workers Compensation.** Additional costs to the workers compensation fund based on anticipated settlements increase the general fund cost by \$1.2 million from the preliminary forecast. In addition, the revised forecast centralizes workers compensation expenditures in the non-departmental budget rather than individual department budgets.
- **Public Defender.** The impact of the state memorandum of understanding for the operation of the Public Defender's office resulted in a net increase of \$274,000 in expenditures from the preliminary forecast budget.

Increased expenditures were offset by the following two reductions:

- **Salary Adjustment.** \$3.4 million in estimated salary adjustments were removed from the 2011 budget. The amount represented the full-year cost of the salary adjustment proposed by county administration in June 2010, but not approved by the Commission.
- **Medical Benefits.** Revised estimates for employee medical insurance resulted in a decrease of \$392,000 from the preliminary forecast.

While the total revised general fund forecast of \$207.0 million is a decrease of \$4.7 million, or 2.2%, from the 2010 budget, the actual impact on individual departments vary widely. Taken as a whole, revenues have decreased \$6.2 million from 2010, but are offset by \$1.4 million in new reimbursements tied to specific increases in expenditures. In addition to the \$6.2 million in lost revenue, the fund must absorb \$3.9 million in new expenditures during 2011. The total impact of both revenue and expenditure stresses on the general fund is \$10.1 million, or 4.8%, of the 2010 budget.

With the presentation of the revised forecast budget, departments will be notified of their revised departmental budgets. The aforementioned revisions impact departments in different amounts and

departments will be afforded the opportunity to revise their impact statements and respond to the revisions during their budget working sessions with the Commission September 20-27.

### 2011 Budget Process

The next step in the 2011 budget process entails department working sessions with the Commission on September 20, 21 and 27 to discuss the impacts of 2011 forecasts. I will craft my 2011 recommended budget in consideration of County Commission policy priorities, departmental budget impact statements and the most up-to-date revenue estimates and release the administrator's recommended budget at the beginning of October.

Major milestones for the remainder of the 2011 budget process include:

September 20– 27	County Commission 2011 budget impact department presentations
October 1	County Administrator's 2011 Recommended General Fund Budget released
October 5-15	Public Hearings
November 10	County Commission approves 2011 general fund budget

Please do not hesitate to contact Christian Sigman at 946-4327 if you have any questions about the 2011 budget process.